

## Message Text

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ACTION SS-15

INFO OCT-01 NEA-09 ISO-00 SSO-00 COME-00 TRSE-00 FEA-01

INT-05 EB-07 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

DODE-00 FPC-01 H-01 INR-07 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 STR-01 FRB-03 /080 W

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R 130530Z FEB 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 214

AMEMBASSY BEIRUT

C O N F I D E N T I A L TEHRAN 1402

FOR UNDER SECRETARY INGERSOLL FROM TABOR

DEPARTMENT PLEASE PASS SECRETARY OF COMMERCE DENT,  
SECRETARY OF TREASURY SIMON, FEA ADMINISTRATOR ZARB, SECRETARY  
OF INTERIOR MORTON

BEIRUT FOR UNDER SECRETARY TABOR

E.O. 11652: GDS

TAGS: ENRG

SUBJ: OIL: MEETING WITH IRANIAN MINISTER AMOUZEGAR

1. COMMERCE UNDER SECRETARY TABOR, ACCOMPANIED BY  
TREASURY ASSISTANT SECRETARY PARSKY AND CHARGE MIKLOS,  
MET FOR HOUR TWENTY-FIVE MINUTES WITH IRANIAN INTERIOR  
MINISTER AMOUZEGAR FEBRUARY 10 AND DISCUSSED ENERGY  
CONSERVATION, DOLLAR RECYCLING, INFLATION AND INDEXING.

2. UNDER SECRETARY ASKED MR. PARSKY TO GIVE FIRST HAND  
REPORT ON PARIS E.E.A. MEETING. PARSKY DID SO FULLY  
EMPHASIZING THREE ASPECTS OF U.S. APPROACH, (1) CONSERVA-  
TION, (2) FINANCE, INVESTMENT AND RECYCLING, AND (3)  
ALTERNATE SOURCES OF ENERGY. ON LATTER, PARSKY SAID  
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U.S. REGARDED FLOOR PRICE AS ONE WAY, NOT ONLY WAY TO

DEVELOP ALTERNATE SOURCES, AND U.S. HOSPITABLE TO OTHER METHODS, OR COMBINATIONS.

3. MINISTER AMOUEGAR RESPONDED SAYING SHAH APPLAUDED CONSERVATION, HE AMOUEGAR DISAPPOINTED U.S. DID NOT ADVOCATE FLOOR PRICE BECAUSE HE BELIEVED FLOOR PRICE NECESSARY TO DEVELOP ALTERNATE SOURCES WHILE IRAN COULD PRODUCE AT 15 CENTS A BARRELL AND BREAK MARKET AT ANY TIME.

4. MINISTER AMOUEGAR THEN SPOKE AT LENGTH AND WITH FEELING ON RECYCLING STATING U.S. INCONSISTENT OR CONFUSED IN ACCUSING PRODUCERS OF DESTROYING WORLD ECONOMIC STABILITY, URGING RECYCLING BUT REFUSING INVESTMENTS BY PRODUCERS IN U.S. HE CITED CONSUMERS' REDUCTION OF PRODUCER CONTRIBUTION TO IMF EMERGENCY FUND FROM DOLS 12 BILLION TO DOLS 6 BILLION, CITIZEN AND MEDIA OPPOSITION TO ARAB INVESTMENT IN CALIFORNIA AND DETROIT BANKS AND PAN AMERICAN. LAST REFERENCE ONLY TOUCHED VERY LIGHTLY. HE NOTED NEWSWEEK REFERENCE TO "NON AYRIAN" BASIS OF OPPOSITION -- ASKED FOR LOGIC NOT PREJUDICE, AND SUGGESTED POWERFUL FORCES AT WORK IN LOBBIES AND MEDIA TO DRIVE USG AND PRODUCERS APART.

5. PARSKY REPLIED THAT USG INVESTMENT POLICY IS AND HAS BEEN TO WELCOME INVESTMENT, THAT THERE ARE PERSONS RESISTING CONSUMER INVESTMENTS, THAT CONSUMERS NEEDED TO INFORM PUBLIC BETTER ON PURPOSES OF INVESTMENT AND RECOGNIZE THAT DIFFERENT INVESTMENTS PRESENT DIFFERENT ACCEPTANCE SITUATIONS.

6. MINISTER AMOUEGAR THEN MOVED TO INFLATION AND INDEXING. ON CHARGE OF OIL PRICES PRODUCING INFLATION, HE NOTED THAT IN 1974 OIL PRICES ROSE 9 PLUS PERCENT, BUT INDUSTRIALIZED COUNTRY PRICES ROSE 14 PERCENT ACCORDING TO EC STATISTICS AND DOLLAR VALUE DROPPED 10 PERCENT LEAVING PRODUCERS AS NET VICTIMS OF INFLATION IN '74. AFTER PARSKY REFERRAL TO PERIOD 1973-1974, AMOUEGAR SAID REAL ISSUE IS INDUSTRIAL WORLD INFLATION FROM 1947 TO 1974 VERSUS OIL PRICE INFLATION SAME PERIOD. CONFIDENTIAL

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HE STATED PRODUCERS BEGGED OIL COMPANIES FOR INCREASED PRICES, BUT WERE REFUSED, AND GOVERNMENTS OF COMPANIES MUST TAKE BLAME. HE STATED PRODUCERS INCREASED PRICE IN '73 TO CATCH UP WITH INCREASES WHICH WERE OVERDUE. HE STATED PRODUCERS WOULD AGREE TO PRICE THAT WAS INDEXED TO INFLATION FROM 1947 TO DATE, AND COMPENSATED PRODUCERS FOR AMOUNTS THEY SHOULD HAVE HAD ON THEIR PRODUCTION TO EQUAL INFLATION OVER SAID PERIOD TO DATE,

PLUS INTEREST THEREON.

7. MINISTER AMOUZEGAR THEN NOTED USG INCONSISTENCY IN ATTACKING INFLATIONARY OIL PRICE INCREASES, BUT IMPOSING IMPORT FEES AND TAXES ON OIL. HE SAID WHAT IS DIFFERENCE? UNDER SECRETARY POINTED OUT TWO DIFFERENCES: U.S. FEES AND TAXES PRESERVED THE DOLLARS INVOLVED WITHIN THE U.S. ECONOMY, AND ADMINISTRATION ENERGY PROPOSAL REINFUSES THE DOLS 30 BILLION OF TAXES IHTO HANDS OF THOSE HIT BY INFLATION, VIA TAX REDUCTION.

8. MINISTER AMOUZEGAR THEN URGED DISCUSSIONS BETWEEN CONSUMERS AND PRODUCERS SOON, NOTING THAT PRODUCERS NOW BEING URGED TO EXPAND THEIR CARTEL TO ALL RAW MATERIALS AND THAT IF THAT OCCURS, ISSUES BECOME VASTLY MORE COMPLICATED, INTER-RELATED AND DIFFICULT TO SOLVE.

9. VARIOUS U.S. COMMENTS AND RESPONSES OMITTED HEREIN IN BELIEF THAT THE IMPORTANT THING IS TO KNOW AMOUZEGAR'S ARGUMENTS.

10. MINISTER AMOUZEGAR WAS AT ALL TIMES UNHURRIED. HE APPEARED TO WELCOME OPPORTUNITY TO HEAR U.S. VIEWS AND STATE HIS TO SENIOR U.S. OFFICIALS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, INFLATION, DIPLOMATIC DISCUSSIONS, PRICES  
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**Copy:** SINGLE  
**Draft Date:** 13 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975TEHRAN01402  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 MAY 2003 by ifshinsr>; APPROVED <19 MAY 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OIL: MEETING WITH IRANIAN MINISTER AMOUZEGAR  
**TAGS:** ENRG, (AMUZEGAR, JAMSHID)  
**To:** STATE BEIRUT  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006